**Wal- Mart: But We Do Give Them a 10 Percent Employee Discount**

Wal- Mart began as a simple dream by its founder, Sam Walton: to provide low prices for customers every day. That philosophy has taken Wal- Mart in forty-four years from one five- and- ten store in Bentonville, Arkansas, to the largest retailer in the world with estimated annual sales of close to $ 300 billion. In 2005 it was the largest company in the world based on revenue and slipped to number two in 2006 when Exxon/ Mobil took over the number one position. Wal- Mart has more than 1.5 million employees worldwide, including 1.3 million in the United States, and generates more than 2 percent of the gross national product in the United States. On December 19, 2005, the results of a Pew Research survey showed that 81 percent of the 1,502 people who responded to the survey considered Wal- Mart a good place to shop. In addition, 69 percent of the respondents stated that they had a favorable opinion of Wal- Mart. However, 31 percent of the respondents stated that they had an unfavorable image of Wal- Mart. Furthermore, 68 percent of the respondents believed that having a Wal- Mart store in their area was good for the com-munity, and 64 percent said that Wal- Mart was good for the United States. Finally, 54 percent of the respondents stated that they believed that Wal- Mart was a good place to work.

Sam Waltons vision and beliefs still remain the cornerstone of Wal- Marts business philosophy. However, the Southern good old boy culture cultivated in rural Arkansas has created a number of twenty- first- century problems for Wal- Mart.

**OFF- THE- CLOCK WORK**

In 2000 Wal- Mart settled a class- action lawsuit in Colorado for $ 50 million when sixty- nine thousand current and former Wal- Mart employees claimed that they worked for Wal- Mart without receiving any compensation. The lawsuits continued in August 2001, when many additional lawsuits were filed against Wal- Mart for refusing to pay overtime for workers and failing to compensate workers when they worked during their scheduled breaks. Eleven states had lawsuits pending pertaining to Wal- Mart employees not being paid for their work. The lawsuits alleged that Wal- Mart would force the workers to work off the clock by requiring them to punch out with their time cards, yet told them they had to continue to work. By June 2002, the number of states that had off- the- clock lawsuits against Wal- Mart had risen to twenty- eight. One example was a Wal- Mart employee in Kansas City, Verette Richardson, who had clocked out and was walking to her car when her manager ordered her to go back into the store and straighten up some merchandise in the apparel department. Richardson spent the next hour, without pay, getting the inventory back in order. In other incidences, Richardson would be ordered to corral the shopping carts in the parking lot after she had clocked out.

One complaint that the Wal- Mart employees had was the lock- in procedure managers would use at night. The managers would lock the doors after the store had closed and would force the workers to stay in the store until all the work had been completed. The managers justified the lock- in procedure as a method used to try to reduce inventory theft but claimed that all employees were paid during the lock- in. However, many of the employees had stated that they had already clocked out when the lock- in took place. An example of the potential problems of a lock- in occurred in a Sams Club in Corpus Christi, Texas. An employee had his ankle hit by some heavy machinery and was not allowed to leave the store. The manager was not in the store with the keys and the employees were told not to use the fire exit unless there was a fire or else they would be dismissed. Other personal emergencies such as a woman going into labor or a natural disaster such as a hurricane could greatly hamper the potential for an employee to leave the store quickly.

The common philosophy of the store managers was that employees could not leave their positions until the work was finished, and if the employees could not complete that work in an eight- hour shift, then the employees must use their own unpaid time to complete their work. If they did not complete their daily tasks, the employees feared that they would be disciplined the next day by the manager. They were told they had to clock out so overtime pay would not show up on the store reports. In addition, twelve Wal- Mart employees, including four employees who worked in Wal- Marts payroll department, stated that managers would come in and delete overtime hours from the workers time cards so they would not have to compensate them for the additional time worked. In a deposition given by a senior payroll executive at Wal-Mart, it was revealed that the corporate headquarters gives the store managers a target total payroll expense and each store must be below the target amount. If the store goes over the target payroll expense, the store manager is disciplined and could be demoted or eventually dismissed from Wal- Mart. In addition, it was alleged that the Wal- Mart handbook stated explicitly that overtime pay would not be given to employees except during the busy Christmas season. One common practice that Wal- Mart managers would use is the one- minute clock- out. This practice occurred when Wal- Mart employees failed to clock back in after their lunch. Managers would clock out the employees one minute after their lunch breaks began. As a result, the employees would not get any payment for the hours worked after lunch. That could result in nonpayment of four hours or more per day for each employee. Wal- Mart responded by stating that it had broadcast a video to managers in April 2003 explaining to them that one- minute clock- outs would not be allowed. If the employee failed to clock back in, it was up to the manager to determine the number of hours the employee would get paid for that day. The corporate objective for Wal-Mart was to keep labor costs at 8 percent of sales, which is lower than the industry average of 9 to 10 percent for large retail chains. In addition, corporate headquarters wanted the store managers to have a reduction of between 0.2 and 0.3 percent of labor costs annually. An additional way in which Wal- Mart can reduce labor costs is to have the assistant managers take over the responsibilities of the regular employees once the employees have reached their forty-hour limit. Because the assistant managers are not required to receive overtime and are required to work at least forty- eight hours a week, Wal- Mart can shift the burden of multiple tasks to the assistant managers without any additional costs. It was estimated that an assistant manager may work up to seventy- five hours a week for a salary of between $ 30,000 and $ 45,000. In 2004 the average store manager at Wal- Mart was making $ 100,000 before any bonuses.

The average hourly rate for a Wal- Mart employee in 2002 was $ 8.50 an hour, which yielded a yearly rate of $ 17,680. However, store managers received a salary of $ 52,000 with potential annual bonuses bringing salaries to between $ 70,000 and $ 150,000. The bonuses are based in large part on the profitability of the store. As a result, there is an additional incentive for store managers to not include overtime pay in the financial performance of the store.

Wal- Marts official response was that it has a strong policy that does not allow off- the- clock work and it is explicitly stated in the Wal- Mart handbook. It described the off- the- clock problem as minimal and isolated and quickly corrected whenever it was brought to the attention of Wal- Mart management. In addition, it stated that managers who force off- the- clock work will be disciplined and possibly dismissed. Wal- Mart stated that off- the- clock work is in direct violation of the official policy of the company and is against the law. In addition, it is a direct violation of law and company policy for any supervisor or manager to demand that a Wal-Mart employee work off the clock. On December 20, 2002, a jury in Portland, Oregon, found Wal- Mart guilty of not paying its employees overtime when it was due. It was the first decision of forty outstanding lawsuits against Wal- Mart for this practice. The lawsuit represented four hundred current and former employees from eighteen Oregon stores.

On October 13, 2006, Wal- Mart was found guilty of violating Pennsylvania labor laws by requiring its employees to work through rest breaks and off the clock. The jury in Philadelphia stated that Wal- Mart must pay its employees $ 78.5 million to settle the class- action lawsuit. The lawyer for the plaintiffs also stated that the employees would seek to receive an additional $ 62 million from Wal- Mart because the jury found that Wal- Mart was acting in bad faith. Each plaintiff from the lawsuit was expected to receive from fifty to a few thousand dollars in the settlement. During the trial, Wal- Mart attorney Neal Manne stated in the closing arguments that Wal-Mart thought a lot of the employees and they had missed their breaks or had a shorter break due to their own personal choice. Evidence during the trial included computer records that showed that Wal- Mart employees in Pennsylvania had missed 33 million rest breaks from 1998 to 2001.

On January 25, 2007, Wal- Mart agreed to pay $ 33.5 million in back wages and accumulated interest to settle a lawsuit that claimed that Wal- Mart had violated federal overtime laws for 86,680 of its workers. The claims in the lawsuit included Wal- Marts failing to pay time and a half to nonmanager employees who had worked more than forty hours a week. The federal lawsuit also claimed that Wal- Mart had violated the Fair Labor Standards Act by not including bonuses and geographical differences when calculating the time and a half rate for its workers. The average payout to the more than eighty- six thousand employees was $ 375. Seventy- five employees received more than $ 10,000, and the highest amount given was $ 39,775.

**SEXUAL DISCRIMINATION**

In a lawsuit filed in 2001 in San Francisco, Wal- Mart was accused of sexual discrimination with regard to its promotion policies within the company. The lawsuit was based on the fact that in 2001 women employees at Wal- Mart were 65 percent of the hourly workers, yet women comprised only 33 percent of the managers at Wal- Mart. The potential lawsuit could include seven hundred thousand women employees who had worked at Wal- Mart from 1996 to 2001. In addition, the lawsuit claimed that women employees were also discriminated against based on their pay rates. The lawsuit alleged that women employees received $ 1,150 per year, or 6.2 percent less on average than men employees for similar jobs. The lawsuit also claimed that women managers also got paid less than men. Women managers received an average yearly salary of $ 89,280, which was $ 16,400 lower than men managers. Another fact presented in the lawsuit was that 89.5 percent of the cashiers, 79 percent of the department heads, 37.6 percent of the assistant store managers, and 15.5 percent of the store managers at Wal- Mart were women. The official response from Wal- Mart was that it does not discriminate against anyone. Wal- Mart stated that women did not have a high percentage of management jobs because they did not have an interest in working in management- level jobs at Wal- Mart. The example Wal- Mart gave was that whenever there is a management training program, only 43 percent of the applicants are women. Wal- Mart did admit that the companywide posting of management positions started after plaintiffs lawyers had complained that Wal- Mart did not give every employee the chance to apply for a management position, which the lawyers had argued were usually given based on favoritism. On June 22, 2004, the sex discrimination lawsuit achieved class- action status and covered 1.6 million current and former Wal- Mart employees. It was the largest class- action sex discrimination lawsuit ever to be filed in the United States.

Depositions given by Wal- Mart employees for the lawsuit showed that a man-ager told one woman that the man was promoted instead of a qualified woman be-cause the man had to support his family. In another deposition, a manager in a South Carolina Wal- Mart told a woman that men get paid more because according to the Bible, Adam was created before Eve. One plaintiff in the lawsuit claimed that a store manager told her that men work at Wal- Mart for a career and women do not. In addition, the store manager told her that retail is just for housewives who want to make some additional money. Another plaintiff stated that when she asked to work in the hardware department, the man store manager said, why do you want to work in hardware? You are a girl. You are needed in toys. Other claims in the lawsuit included a stripper performing at a store meeting to celebrate the manager’s birthday and managements calling the women employees Janie Q and girl. The executive vice president of human relations at Wal- Mart, Coleman Peterson, had warned members of the board of directors in 1999 that Wal- Mart was falling behind other companies in the number of women it promoted to managers. He told the board that Wal- Mart was behind the rest of the world when it came to the treatment of women.

**HEALTH BENEFITS**

In 2003 Wal- Marts policy of lower costs in every part of its operation was highlighted based on the type of health benefits that it offered its employees. Wal- Mart made new employees wait half a year before they could enroll in the health benefits plan. Wal- Mart employees who had retired were not eligible to be part of the health benefits program. In some cases the deductibles the employees had to pay for their health services went up to $ 1,000, which was three times the normal amount of deductibles. Wal- Marts response was that the employees can select the type of coverage they want. If they paid $ 13 every two weeks, then the deductible was $ 1,000. If the employee was willing to pay a higher premium, the deductible would be much lower.

In 2002 the five hundred thousand employees covered by the plan cost Wal- Mart on average $ 3,500 per employee, which was 40 percent lower than the $ 5,646 average for all companies in the United States and 30 percent lower than the $ 4,834 average in the retail industry. In addition, Wal- Mart sent out teams of advisors who examined which network of doctors and hospital had the lowest fees in every state. That program was abandoned in 2003 when an analysis was done to show that by having a national contract with Blue Cross and Blue Shield, Wal- Mart was able to further reduce its costs. Furthermore, Wal- Mart charged an employee $ 50 every two weeks if he or she had a spouse who could enroll in his or her company’s health program but enrolled in the Wal- Mart program instead. Wal- Marts response was that it offers health benefits to part- time workers, which some other retailers do not offer. In addition, Wal- Mart, like any other company, has tried to keep health- care costs under control. Wal- Mart also does not have a lifetime maximum, so if an employee or family member under the program has a long- term illness, he or she would also be covered under Wal- Marts program. On December 12, 2003, Susan Chambers, who was the senior vice president of Benefits and Insurance for Wal- Mart, wrote a letter to the New York Times in which she stated that more than 90 percent of Wal- Mart employees have health coverage from either Wal- Marts plan or their spouse’s plans. A Wal- Mart employee can have health coverage starting at $ 15.25 every two weeks and family coverage, regardless of the number of members in the family, starting at $ 66.25 every two weeks.

In 2004 a survey done by the state of Georgia found that ten thousand children whose parents worked for Wal- Mart were part of the state health program for children. The cost to the state of Georgia was $ 10 million annually. A survey done at a hospital in North Carolina discovered that 16 percent of the 19,00 patients who worked for Wal- Mart had no health insurance coverage and 31 percent of the patients were on Medicaid.

On October 24, 2005, Wal- Mart announced that it would be offering a cheaper health insurance plan for its employees. The monthly premiums for the new plan would start at $ 11. Wal- Mart also announced that it would start a health savings ac-count program called Value Plan for its workers. Wal- Mart stated that the new pro-grams were in response to the feedback it had received from its employees, not the criticism from the media. Wal- Mart estimated that the monthly premiums for the employees would be between 40 and 60 percent lower than the previous health benefits program. The following day, an internal memo that was sent to the board of directors was released that explained how Wal- Mart could lower its health and benefit costs. Among the recommendations in the memo was for Wal- Mart to hire more part-time employees and try to discourage unhealthy people from applying at Wal- Mart. It was recommended in the memo that all jobs at Wal- Mart should include some type of physical activity to weed out unhealthy applicants. Chambers also recommended in the memo that Wal- Mart should reduce the level of contribution in the employees 401(k) retirement programs from 4 percent of wages to 3 percent. The memo also stated that 46 percent of the children of Wal- Mart employees do not have health coverage at all or are covered by Medicaid. The memo stated that 5 percent of all of Wal- Marts employees were on Medicaid, which was higher than the average of 4 percent of all companies that have a national presence. In a response to the release of the memo, Chambers stated that the purpose of the memo was not to reduce costs for Wal- Mart, but was to recommend better options that could be available for employees by redirecting costs from one benefit area to another. Wal- Mart responded by stating that another recommendation was to reduce the time for a part- time employee to be eligible for health insurance from Wal- Mart from two years to one year. Another recommendation was to put health clinics in some of its stores to reduce the costs of employees having to visit emergency rooms in hospitals.

On January 12, 2006, the state legislature in Maryland passed legislation that would have required Wal- Mart to increase the level of spending on its employee’s health benefits program. The legislature overrode the veto of Maryland’s governor, Robert Ehrich, who received $ 4,000 in reelection contributions from Wal- Mart, to pass the law. The law stated that any employer who has ten thousand or more employees in Maryland must spend at least 8 percent of payroll costs on employee health insurance. If it does not pay at least 8 percent, then the difference between the percentage paid and 8 percent would be given to Maryland’s Medicaid fund. On February 23, 2006, Wal- Mart announced that it would revise its health- care programs to allow more employees to be eligible. It stated that it would reduce the two- year waiting period be-fore part- time employees could be eligible for the program to one year and it would also allow children of full- time and part- time workers to be eligible for coverage. In April 2006 it was discovered that 46 percent of children of Wal- Mart employees were uninsured. The information was obtained when an internal Wal- Mart memo was released to the public. The children could be added to an employee’s insurance plan for $ 15 a month, and Wal- Mart would provide a 10 percent employee discount on healthy foods sold at Wal- Mart and Sams Club.

On July 19, 2006, a federal judge in Baltimore ruled that the Maryland law, which had become known as the Wal- Mart Tax, requiring Wal- Mart to provide more health- care coverage was not valid. The judge ruled that the Maryland law was in violation of the federal law known as the Employee Retirement Income Security Act, or ERISA, which states that large companies are allowed to have uniform health-care plans across the country.

On January 11, 2007, Wal- Mart announced that the number of workers who had enrolled in the company’s health plan had increased by 8 percent, or about 82,000 employees, from the fall of 2006. Wal- Mart identified the cause of the increase was due to the introduction of cheaper insurance policies. However, Wal- Mart did admit that even with the increased level of enrollment, only 47.4 percent of employee’s received health insurance from Wal- Mart. In a Wal- Mart survey of 220,000 employees, it was found that 90 percent were covered using Wal- Marts health insurance. Of those employees who were not covered by Wal- Marts plan, 22.2 percent were covered by a spouses plan, 3.1 were covered by either Medicaid or a state- sponsored plan, and 2.3 percent were covered through a military health insurance plan. For all of Wal- Marts employees, an estimated 130,000 employees, or 10 percent, have no health insurance coverage under any plan. The lowest price Value Plan insurance program costs $ 11 per month and covers three generic prescriptions and three doctor’s visits before a deductible needs to be paid. The deductible is usually $ 1,000 for an individual worker and $ 3,000 for an employee’s family. The average yearly salary of a Wal- Mart employee is less than $ 20,000.

**THE ROLE OF UNIONS**

A cornerstone of Wal- Marts philosophy of Everyday Low Prices is to keep labor costs at the lowest level possible. As a result, Wal- Mart has always battled the efforts of its employees to become unionized. In February 2000 the meat department at a Wal- Mart in Jacksonville, Texas, became the one and only unionized operation within Wal- Mart in the United States. Two weeks after the union was formed, Wal- Mart disbanded the meat department in that Jacksonville store and 179 other stores by using prepackaged meat instead of butchers. On June 19, 2003, the National Labor Relations Board ruled against Wal- Mart for its handling of the meat department union in Jacksonville. The ruling ordered Wal- Mart to negotiate with the meat employees and the union about Wal- Marts decision to phase out the meat department. In addition, the judge ordered Wal- Mart to bring back the meat department in the store until the negotiation had been completed with the employees and the union.

From 1998 to 2002, the National Labor Relations Board had filed more than forty complaints against Wal- Mart for such illegal actions as firing employees who were union supporters and telling the employees that they would not receive any bonuses if they formed a union. By 2002, eight of the forty cases had been settled by Wal- Mart. In 2002 a comparison of wages for unionized workers and Wal- Mart employees showed that unionized Kroger employees would get four to five dollars an hour more than the Wal- Mart employees. An example of the global length Wal- Mart uses to ensure a nonunionized workforce occurred when Wal- Mart entered the Canadian market. Wal- Mart bought 120 stores from the struggling Woolco retail store, a subsidiary of Wool-worths. Wal- Mart bought all of Woolcos nonunionized stores and none of the seven unionized Woolco stores. Two former managers of the Canadian stores informed the corporate headquarters that union literature was given to the Canadian workers. That same day, two Wal- Mart specialists in labor relations were flown to Canada in one of Wal- Marts company jets. It was later revealed that the labor relation experts would come to a store that was considering becoming unionized and would show anti- union videos to the employees and try to convince the employees that the unions would have no benefit to them and would only cost them money in the form of union dues. In addition, they would try to determine which employees were pro union and try to discredit their efforts and would even recommend the firing of the pro- union employees.

On August 3, 2004, the Quebec Labor Board certified the formation of a union at Wal- Marts Jonqiuere, Quebec, store. Wal- Mart stated that it was disappointed that the company did not have an opportunity to express its views of unionization to the employees. Quebec law states that a union can be formed without an actual vote of the employees as long as a majority of employees sign union membership cards. A spokesman for Wal- Mart Canada, Andrew Pelletier, said that the results of a secret democratic vote on union membership failed four months before the certification. The certification by the United Food and Commercial Workers Canada Union was the first step in trying to unionize all 241 Canadian stores. The union argued that the gap between union pay and Wal- Mart pay could be from ten to twenty Canadian dollars per hour. Furthermore, the union argued that it would be available as a means to settle any disagreements that took place between the employees and management. Wal- Mart responded by stating that the pay gap was not that large and that Wal- Mart employees would have the option of profit sharing, which could significantly increase the amount of pay given to the employees. Wal- Mart Canada also stated that when-ever it opened a new store, it got ten times more applications than job openings. In addition, Wal- Mart was ranked fourteenth in the listing of Canada’s fifty best employers, published in The Globe and Mail newspaper. Wal- Mart closed the Quebec store on April 29, 2005, before it could reach a collective agreement with the union. Wal- Mart said that it had been losing money since it had opened in 2001 and the financial performance was getting worse.

In November 2004 Wal- Mart announced that it would allow trade unions in its Chinese stores. The change of heart for Wal- Mart could be due to the pressure that was put on the company by the All- China Federation of Trade Unions, controlled by the government of China. However, Wal- Mart still felt that the unions were not needed because the direct link between management and the workers was the best structure for the company.

**THE GREAT UNION WALL OF CHINA**

As Wal- Mart expands internationally, it must address the issues of unions in every country in which it starts operations. However, Wal- Mart admitted that China is a unique case. Wal- Marts CEO, Lee Scott, had constantly stated that China is the only other country in the world where Wal- Mart could effectively duplicate its U. S. strategy based on its population and geography. Furthermore, Wal- Mart purchased $ 18 billion in inventory directly from Chinese companies in 2005 and a large percentage of their entire worldwide inventory was made in China and had been outsourced from other companies to be manufactured in China. The Chinese government wants unions in privately held foreign companies such as Wal- Mart. The Chinese trade unions are unified under an umbrella organization named the All- China Federation of Trade Unions (ACFTU). The ACFTU is supported by the Chinese government and has links to the chairman of the Communist Party. In addition, Chinese law forbids companies from blocking or stopping employees from starting a union. Wal- Marts biggest rival in China, Carrefour SA, is 70 percent unionized in China. The power of the Chinese market was shown on August 9, 2006, when Wal- Mart announced that it would allow unions to be formed in all of its stores in China. Wal- Mart stated that it had formed an alliance with ACFTU to create a harmonious relationship with the employees. At the time of the announcement, Wal- Mart had sixty stores in China and employed thirty thousand Chinese workers. With the apparent thumping of Sam Walton rolling in his grave, on December 18, 2006, Wal- Mart announced that its Chinese employees had established a branch of the Communist Party at its Chinese headquarters. This was quite a concession for a company that is actively involved in the Students in Free Enterprise ( SIFE) program, which encourages free enterprise education. Furthermore, Wal- Mart established a fellowship of SIFE faculty advisors named the Sam M. Walton Free Enterprise Fellows program.

**USE OF ILLEGAL ALIENS**

On October 24, 2003, federal agents from the Immigration Service raided sixty Wal- Mart stores in twenty- one states for suspected use of illegal aliens as the janitorial staff at Wal- Mart. Acknowledging Wal- Marts roll back the prices marketing campaign, the name of the raid was called Operation Rollback. The janitors were hired by a third party to which Wal- Mart had outsourced their responsibilities. The federal agents also seized documents from Wal- Mart corporate headquarters in Bentonville, Arkansas. It was alleged that even though a third party hired the illegal aliens, Wal- Mart was aware that illegal aliens were used to clean its stores. Wal- Marts response was that it had specific requirements for every contractor it uses to employ only legal workers. The immigration agents arrested more than 250 workers as a result of the raids. Raids arresting illegal aliens also took place at Wal- Marts in 1998 and 2001, when approximately one hundred workers who had been hired by contractors were arrested. The results of those raids were thirteen felony indictments and $ 5 million in fines for the two third- party contractors who had hired the illegal aliens. On November 9, 2003, nine illegal immigrants sued Wal- Mart, accusing the company and the contractors of failing to compensate for overtime and forcing them to work every night of the week. Two days later the nine illegal immigrants filed a new lawsuit against Wal- Mart, which alleged that Wal- Mart was in direct violation of federal racketeering laws by agreeing with the contractors to not allow the workers to receive any overtime pay.

In December 2003 Wal- Mart responded to the attacks by stating that the man-agers were aware of the illegal workers being used to clean the stores, but they were told by the government to continue to have the workers employed until the government had completed its investigation on the contractors. Wal- Mart stated that it had been cooperating with the government on the use of illegal workers and was waiting for the government’s raid to stop using the workers through the contractors.

On March 18, 2005, Wal- Mart agreed to settle the charges brought against the company for having illegal aliens clean its stores by paying a fine of $ 11 million. Wal- Mart was not charged with any criminal violations because it had cooperated with the government in the investigation. The settlement of $ 11 million was four times larger than the previous highest settlement given the government by a corporation. Wal- Mart referred to the $ 11 million payment as a voluntary payment by Wal- Mart to help the government monitor violations of immigration laws.

**CHILD AND OTHER LABOR LAWS**

In March 2000 the state of Maine fined Wal- Mart more than $ 205,000 for violating child labor laws in each of the states twenty Wal- Mart stores. On January 13, 2004, the results of an internal audit at Wal- Mart showed that Wal- Marts top executives had known since 2001 that they had violated child labor laws as well as state laws pertaining to time off for breaks and meals. The result of the audit that was done in July 2000 showed that in one weeks time cards of Wal- Mart employees, there were more than 13,00 violations in which employees younger than eighteen years old were working past midnight, were working during school hours, and were working more than eight hours during the day. Wal- Marts response was that the results were misleading because schools may have been closed during that day.

On February 11, 2005, Wal- Mart agreed to pay $ 135,540 to settle charges of violating child labor laws in three states. The settlement of violations filed in Connecticut, New Hampshire, and Arkansas were based on having employees who were younger than eighteen operating machinery that was dangerous, including chain saws and cardboard balers. As part of the settlement, Wal- Mart denied that it was involved in any wrongdoing with the actions of the employees. One of the employees had injured his thumb when he used a chain saw to cut Christmas trees.

The one- week audit also showed that there were more than 16,000 violations of workers not taking their required breaks and more than 15,000 violations for workers not having any time off to have a meal. Wal- Mart responded by stating the results of the audit were not meaningful because the violations could be based on the fact that the employee had failed to clock in and out for breaks and meals. On December 22, 2005, a California jury awarded the plaintiffs of a class- action lawsuit against Wal- Mart $ 172 million. Wal- Mart employees in California were not allowed to take their lunch breaks. The award included $ 57.3 million in general damages and $ 115 million in punitive damages. The plaintiffs were the 116,000 Wal- Mart employees in California. The jury decided that Wal- Mart was in direct violation of California law that required mandatory lunch breaks for all employees. The law-suit claimed that Wal- Mart had violated the mandatory lunch break law that states that every employee is entitled to thirty minutes for lunch if he or she works five hours. It was found that the break was denied more than eight million times from the beginning of 2001 until May 2005.

On September 13, 2005, a labor advocacy group named the International Labor Rights Fund filed a lawsuit against Wal- Mart for not enforcing the company’s code of conduct with Wal- Marts suppliers. The lawsuit claimed that Wal- Mart did not verify whether suppliers from five countries China, Bangladesh, Indonesia, Swaziland, and Nicaragua were in compliance with fair labor practices. The lawsuit claimed that factory workers in these five countries had labor violations that included forced labor and nonpayment of work and overtime. The lawsuit also claimed that the suppliers obstructed any attempt to have unions formed in those factories. In addition, the workers claimed that they were physically abused by the managers of the factories and were not able to leave the factories because the doors would be locked. Wal-Mart responded by stating that it has the largest monitoring system for suppliers in the world. Wal- Mart has two hundred full- time inspectors who visit up to thirty factories a day. The inspectors are responsible for monitoring the activities of more than 5,000 factories. In 2004 Wal- Mart stated that it did not buy any goods from 12,00 of those factories for a minimum of ninety days when inspectors found violations in the factories. Furthermore, more than one hundred factories were banned permanently in 2004 for direct violations of child labor laws.

**WAL- MART RESPONDS**

As the pressure for the company to help improve employee relations continued to rise from Wal- Marts stakeholders, the largest retailer in the world announced a new pro-gram called Associates out in Front. The managers at Wal- Mart agreed to meet with ten rank- and- file workers every week from each of its 4,000 stores to get employee feedback. In addition, workers who have been with Wal- Mart for more than twenty years would receive a special polo shirt. Furthermore, some employees would be given a premium holiday in which Wal- Mart would pay a portion of the health insurance premiums. Finally, to show its holiday spirit during the Christmas season, Wal- Mart allowed the employees to purchase one item that would be discounted by 20 percent, twice their standard 10 percent employee discount. Wal- Marts net in-come for 2006 was $ 11.23 billion.

**Questions for Thought**

1. Are the ethical issues Wal- Mart faces really any different from other large retailers?

2. Wal- Mart officials have stated that they don’t feel women are interested in management positions at the company. Do you agree or disagree?

3. Wal- Mart is continually criticized for its health- care policy. Is this really an ethical issue? Why or why not?

4. Should Wal- Mart be concerned about unionization of stores since allowing unionization of workers in China?